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Brazil

Coffee Annual

2011

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Report Highlights:

This report updates BR10008. ATO/Sao Paulo forecasts the Brazilian coffee production for marketing year (MY) 2011/12 (July-June) at 49.2 million 60-kg bags, down 10 percent vis-à-vis last season, due to the off-year of the biennial production cycle of the Arabica trees. In MY 2011/12 coffee exports are forecast at 28 million bags, down 6 million bags compared to MY 2010/11, due to likely lower availability of the product. Carry-over stocks are forecast at 4.9 million bags, as a result of the expected tight supply.

Production

For the marketing year (MY) 2011/2012 (July-June) the Agricultural Trade Office Sao Paulo (ATO) forecasts Brazilian coffee production at 49.2 million bags (60 kilograms per bag), green equivalent, a 10 percent decrease compared to MY 2010/11.

Post conducted field trips to major coffee producing areas to evaluate the 2011 crop. Trips were made during the January-February 2011 period to the states of Minas Gerais, Parana and Sao Paulo to observe vegetative development, cherry set and fruit formation. Information for other producing states was obtained from government sources, state secretariats of agriculture, producers associations, cooperatives and traders.

The drop in production is due to the biennial production cycle of arabica trees, which are in the off-year of the production cycle for most of the regions and are expected to produce 34.7 million bags, a 17 percent decrease compared to the previous season. Nevertheless, strong blossoming early in the crop season; combined with favorable good weather conditions throughout the season, and good crop management (including pruning and renewed coffee plantations with higher number of trees per hectare) supported ideal cherry setting and development and will guarantee the uniformity of the beans.

Robusta production is expected to increase to 14.5 miilion bags, up 1.8 million bags from the previous MY, due to the strong crop expected in Espirito Santo. Overall, good weather conditions and crop management, and the use of irrigation in coffee plantations have benefited fruit setting and development. However, the Robusta production in Rondonia should be negatively affected by the dry weather during the blossoming.

Robusta producing regions began harvest in March/April, whereas Arabica coffee harvest should begin in May. As in 2010, a large volume of washed arabica coffee is likely to be harvested in 2011 (4 to 5 million bags), to satisfy market share gained over Colombian and Central American coffee beans.

ATO/Sao Paulo's estimate for the MY 2010/11 coffee crop remains unchanged at 54.5 million bags (60 kilograms per bag), green equivalent. According to industry sources, over 90 percent of the Brazilian 2009/10 crop has already been marketed. The 2010 crop quality was somewhat affected by the non-uniformity of the beans, due to the multiple blossoming that occurred in the second semester of 2009.

The table below shows forecast production by state and variety for MY 2011/12, as well as producti on estimates from MY 2007/08 to MY 2010/11.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	MY 07/08	MY 08/09	MY 09/10	MY 10/11	MY 11/12
Minas Gerais	18.10	26.90	22.10	28.50	23.50
Southwest	9.40	14.90	12.10	16.00	11.50
Central-western	3.20	5.10	4.20	5.50	4.50
Southeast	5.50	6.90	5.80	7.00	7.50
Espirito Santo	10.40	12.10	10.60	11.50	13.50
Arabica	2.20	2.90	2.40	3.10	2.70
Robusta	8.20	9.20	8.20	8.40	10.80
Sao Paulo	3.10	4.90	4.20	5.00	4.10
Parana	2.00	2.70	1.90	2.40	1.90
Others	5.50	6.70	6.00	7.10	6.20
Arabica	2.25	3.10	2.40	2.80	2.50
Robusta	3.25	3.60	3.60	4.30	3.70
Total	39.10	53.30	44.80	54.50	49.20
Arabica	27.65	40.50	33.00	41.80	34.70
Robusta	11.45	12.80	11.80	12.70	14.50
Source: ATO/Sao Paulo.					

In January 2011, the Brazilian government (GoB), through the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), released its first survey projecting Brazilian coffee production.

For MY 2011/12, between 41.89 and 44.73 million 60-kg bags are forecast, a 3.36 to 6.20 million bag reduction compared to the final estimate for MY 2010/11 (48.09 million bags – 36.82 and 11.27 million bags of Arabica and robusta coffee, respectively).

CONAB projects arabica production between 30.96 and 33.17 million bags, whereas the robusta crop is estimated between 10.93 and 11.56 million bags. CONAB is expected to release the second coffee survey for the 2011 crop on May 10.

The Brazilian Institute of Geography and Statistics (IBGE) has also released its March 2011 coffee production forecast for MY 2011/12. The IBGE forecast for the 2011 coffee crop is 2.597 million metric tons of coffee, or 43.29 million 60-kg coffee bags, a 10 percent decrease compared to 2010 (2.874 million tons or 47.91 million bags).

Coffee Area Tree Inventory

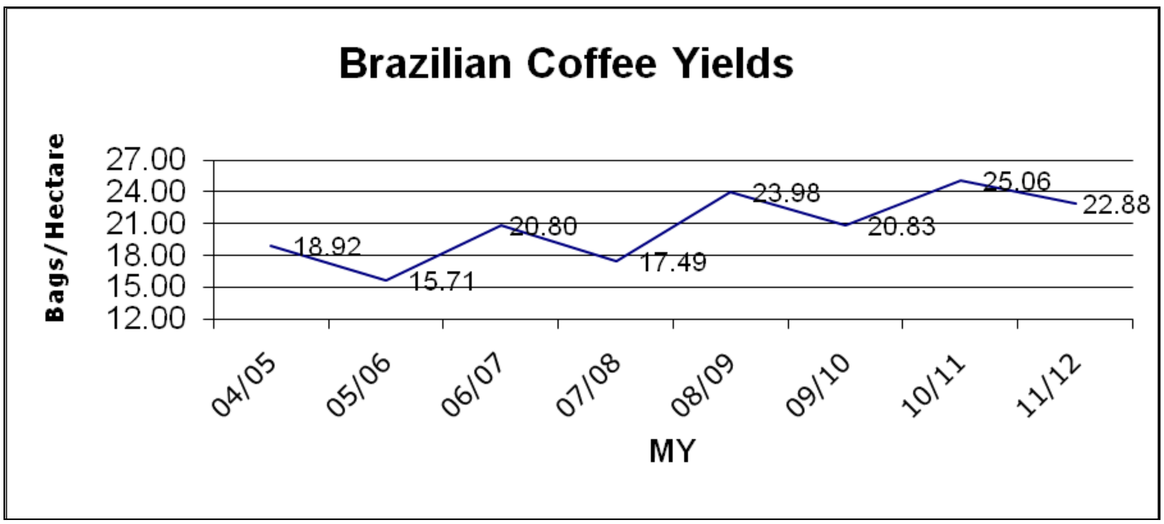
The table below shows the Brazilian coffee area and tree population from MY 2007/08 through MY 2011/12.

Brazilian Coffee Area andTree Population (billion trees, million hectares, thousand

trees/hectare)					
	MY 07/08	MY 08/09	MY 09/10	MY 10/11	MY 11/12
Total Trees	6,399	6,567	6,598	6,635	6,595
Non-Bearing	679	677	873	815	835
Bearing	5,720	5,890	5,725	5,820	5,760
Total Area	2,431	2,424	2,395	2,409	2,410
Non-Bearing	196	201	244	234	260
Harvested	2,235	2,223	2,151	2,175	2,150
Trees/ha	2,632	2,710	2,755	2,754	2,737
Non-Bearing	3,468	3,368	3,578	3,483	3,212
Bearing	2,559	2,650	2,662	2,676	2,679
Source: ATO/Sao Paulo					

Yields

During MY 2011/12, the Brazilian coffee yield is projected at 22.88 bags/hectare, a 9 percent decrease relative to previous the crop (25.06 bags/ha.), mainly due to the off-year of the biennial production cycle of arabica trees.



Coffee Prices in the Domestic Market

The table below shows the Coffee Index price series released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ). The series tracks coffee prices in the domestic spot market since September 1996. Note that coffee prices have significantly increased in MY 2010/11 both in the local currency, the Real, as well as in U.S. dollars (US$ 323.62/bag in March 2011 vis-à-vis US$ 157.04/bag in March 2010), due to the expected lower availability of the product in MY 2011/12.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	2007	2008	2009	2010	2011

January	281.63	267.84	268.41	280.75	433.34
February	267.66	285.19	269.34	278.68	495.98
March	252.72	263.28	262.48	279.70	524.27
April	238.88	256.35	260.10	282.18	524.41
May	232.20	254.84	268.02	289.46	531.86
June	240.80	255.76	256.64	305.98	
July	238.63	250.51	247.50	302.36	
August	254.54	248.86	255.34	313.93	
September	259.15	261.58	254.29	328.23	
October	255.84	256.84	262.20	327.15	
November	245.82	261.28	272.55	355.51	
December	261.28	262.04	281.57	387.01	
Source: CEPEA/ESALQ/USP. May 2011 refers to May 06.					

Consumption

Brazilian domestic consumption during MY 2011/12 is forecast at 20.1 million coffee bags (19.02 million bags of roast/ground and 1.08 million bags of soluble coffee, respectively), up 600,000 bags vis-à-vis the previous season, reflecting results from the newest domestic consumption survey released by the Brazilian Coffee Industry Association (ABIC).

Brazilian consumption for MY 2010/11 is estimated at 19.5 million 60-kg bags, green equivalent, up 4 percent compared to MY 2009/10 (18.76 million bags). Roast and ground coffee consumption accounted for 18.47 million bags, whereas soluble consumption is estimated at 1.03 million bags. Estimates are based on periodic surveys conducted by ABIC and reflect population growth, increased per capita consumption, increased purchasing power, increased quality of the domestic brands, strong growth of superior and gourmet coffee (15 to 20 percent annual increase) and the effects of domestic campaigns to promote coffee consumption.

ABIC reports that the coffee industry processed 19.13 million bags, green equivalent, from November 2009 to October 2010, up 4 percent compared to the same period the year before (18.39 million bags). Per capita consumption for 2010 is estimated at 4.81 kg of roasted coffee per person, up 3 percent from the previous year, similar to coffee consumption in Germany (5.86 kg/person), but still quite below the domestic consumption in the Nordic countries (13 kg/person).

ABIC projects total domestic consumption for 2011 at 20.27 million bags, up 1.1 million bags from 2010, if prices hold steady for the year. Note that due to the tight supply of the product, the average retail coffee price in December 2010 was R$ 11.12 per kilogram, a 7 percent increase relative to the beginning of the year (R$ 10.39 per kilogram in January 2010). Total market sales are estimated at R$ 7 billion in 2010 and projected at R$ 7.5 billion for 2011.

If the steady growth in the domestic market remains, the symbolic goal set by ABIC in 2004 to reach a 21 million bag consumption level by 2010 will be reached in 2012.

The table below shows domestic ground and soluble coffee consumption as reported by ABIC.

Domestic Ground and Soluble Coffee Consumption (Million 60 kg bags, Kg/year).

Year	Consumption (Million 60 kg bags)			Consumption per capita (kg)	
	Roast/Ground	Soluble	Total	Roast	Green Beans
2001	13.00	0.60	13.60	3.91	4.88
2002	13.30	0.74	14.04	3.86	4.83
2003	12.90	0.80	13.70	3.72	4.65
2004	14.10	0.80	14.90	4.01	5.01
2005	14.60	0.90	15.50	4.11	5.14
2006	15.40	0.93	16.33	4.27	5.34
2007	16.10	1.00	17.10	4.42	5.53
2008	16.68	0.98	17.66	4.51	5.64
2009	17.37	1.02	18.39	4.65	5.81
2010	18.06	1.07	19.13	4.81	6.02
2011 1/			20.27		
Source: Brazilian Coffee Industry Association (ABIC). 1/ Projection					
Note: Estimates refer to November-October period.					

Trade

Exports

Total Brazilian coffee exports for MY 2011/12 are projected at 28 million bags, down 6 million bags as opposed to the previous crop, due to expected lower product availability. Green bean exports are likely to account for 24.93 million bags, while soluble coffee exports are forecast at 3 million bags. Brazilian Arabica coffee remains competitive in international markets in spite of higher production costs and the steady devaluation of the dollar vis-à-vis the Real.

Coffee exports for MY 2010/11 were revised upward to 34 million 60-kg bags, green beans, a 14 percent increase from the previous marketing year, based on year-to-date export volumes and anticipated April-June loadings. Green bean (arabica and robusta) exports are estimated at 30.63 million bags, whereas soluble coffee exports are estimated at 3.3 million bags. Lower supplies from other producing countries have increased the demand for the Brazilian product, especially for washed coffee. Brazil represents approximately 37 percent of total world exports.

According to the March 2011 Coffee Market Report International released by the International Coffee Organization (ICO), total world coffee consumption for 2010 is estimated at 134 million bags, up 3.1 million bags or a 2.4 percent growth relative to 2009.

The table below shows green coffee bean (NCM 0901.11.10), soluble coffee (NCM 2101.11.10) and roasted coffee exports (NCM 0901.21.00) by country of destination, according to SECEX, for CY 2010, MY 2009/10 and 2010/11 (July-March).

Brazilian Green Coffee Exports by Country of Destination (NCM 0901.11.10, MT,US$ 000 FOB)						
	CY 2010 1/		MY 2009 /10 2/		MY 2010 / 11 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Germany	385,773	1,136,148	277,131	687,940	317,791	1,089,512
U.S.A.	363,443	1,061,555	231,599	565,662	307,147	1,053,497

Italy	165,134	496,842	112,941	293,997	140,430	504,303
Belgium	122,605	380,917	89,648	230,117	106,036	386,346
Japan	123,769	389,759	79,606	221,865	99,380	354,883
Spain	52,397	152,500	35,388	86,678	42,629	142,659
Slovenia	45,481	105,272	29,104	59,697	37,819	93,893
France	40,927	114,588	27,062	65,625	32,131	104,247
Switzerland	38,141	106,507	30,197	74,735	28,725	93,886
Syria	24,947	57,197	20,388	40,015	25,372	63,849
Others	428,348	1,180,343	303,943	724,270	337,872	1,086,506
Total	1,790,967	5,181,628	1,237,008	3,050,601	1,475,332	4,973,580

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note : Numbers may note add due to rounding 1/Jan - Dec - 2/Jul - Mar

Brazilian Roasted Coffee Exports by Country of Destination (NCM 0901.21.00, MT, US$ 000 FOB)

	CY 2010 1/		MY 2009/10 2/		MY 2010/11 2/	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
U.S.A.	1,981	10,643	1,489	9,595	1,206	7,568
Italy	894	3,688	654	2,893	751	3,266
Japan	199	1,104	144	789	164	891
Bolivia	173	724	99	396	132	573
Chile	126	760	66	396	127	818
Argentina	242	1,741	174	1,081	125	940
Paraguay	82	340	42	139	69	309
Uruguay	65	260	58	227	59	234
France	48	310	18	191	29	194
Libya	26	287	0	2	26	287
Others	385	1,967	786	3,532	149	1,082
Total	4,222	21,826	3,530	19,242	2,838	16,163

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note : Numbers may not add due to rounding 1/Jan - Dec 2/Jul - Mar

Brazilian Soluble Coffee Exports by Country of Destination (NCM 2101.11.10 MT, US$ 000 FOB)

	CY 2010 1/		MY 2009/10 2/		MY 2010/11 2/	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
U.S.A.	13,696	71,024	8,913	48,122	10,288	54,648
Russia	8,900	68,854	6,960	54,018	6,836	55,142
Argentina	5,644	28,538	3,375	17,835	4,019	20,775
Ukraine	5,610	44,529	3,823	34,401	3,737	29,335
Japan	3,764	27,190	2,919	21,788	2,958	21,016
Germany	2,935	19,135	2,028	10,786	2,299	17,252
Canada	2,292	18,808	1,796	15,113	1,947	16,805
Hungry	1,461	8,542	441	2,714	1,629	9,679

Indonesia	1,772	10,767	1,178	6,921	1,587	10,392
United Kingdom	3,163	21,404	3,081	23,166	1,548	10,774
Others	27,920	216,248	16,547	128,178	21,316	171,587
Total	77,156	535,038	51,060	363,041	58,166	417,405
Source : Brazilian Foreign Trade Secretariat (SECEX) Note : Numbers may not add due to rounding 1/Jan - Dec - 2/Jul-Mar						

The tables below include data on monthly coffee exports (quantity and value) for MY 2010/11 (July-March), as reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2010 - March 2011 period were 26.85 million bags, up 4.05 million bags relative to the same period during MY 2009/10 (22.8 million bags). Preliminary data show that coffee export registrations for April 2011 were 2.52 million bags while cumulative green coffee export shipments for April 2011 are 2.35 million bags through April 29.

Brazilian Monthly Coffee Exports for MY 2010/11 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-10	161.20	2,026.29	4.05	2,191.54	270.65	2,462.20
Aug-10	133.85	2,465.95	4.68	2,604.48	209.00	2,813.48
Sep-10	157.03	2,828.39	4.81	2,990.23	289.87	3,280.10
Oct-10	114.96	3,076.67	5.78	3,197.41	293.14	3,490.55
Nov-10	96.50	2,830.34	5.01	2,931.85	243.62	3,175.47
Dec-10	74.49	3,055.29	5.26	3,135.04	288.41	3,423.45
Jan-11	65.60	2,525.03	4.71	2,595.34	197.34	2,792.68
Feb-11	53.11	2,415.65	4.62	2,473.37	242.52	2,715.90
Mar-11	183.42	2,185.40	4.52	2,373.35	320.37	2,693.72
Cumulative	1,040.15	23,409.01	43.46	24,492.62	2,354.92	26,847.54
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2010/11 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-10	16.05	335.15	0.96	352.15	42.07	394.23
Aug-10	14.02	431.58	1.30	446.90	34.21	481.10
Sep-10	16.34	516.72	1.15	534.21	45.68	579.89
Oct-10	12.45	592.18	1.88	606.51	49.17	655.68
Nov-10	10.42	566.69	1.58	578.69	41.70	620.38
Dec-10	8.17	642.41	1.72	652.30	48.19	700.49
Jan-11	7.54	553.50	1.44	562.49	33.02	595.51
Feb-11	6.58	566.88	1.48	574.93	43.14	618.08
Mar-11	25.10	563.99	1.45	590.55	57.04	647.58

Cumulative	116.67	4,769.10	12.95	4,898.72	394.21	5,292.93
Source: CECAFE and ABICS.						

Stocks

Total ending stocks in MY 2011/12 are forecast at 4.94 million bags, up 1.1 million bags relatively to MY 2010/11. Coffee stocks held by MAPA/DECAF (Funcafe stocks) are estimated at approximately 500,000 bags, whereas CONAB coffee stocks in March 31 are reported at 1.65 million bags.

CONAB's 2011 privately-owned stocks survey has not been released yet. The survey includes coffee stocks held by growers, coffee cooperatives; exporters, roasters and the soluble industry on March 31st. The results from the CONAB's 2010 stocks survey were just recently released and show that coffee stocks held by the private sector on March 31, 2010 were 8.9 million bags, down 5.7 million bags from the previous year. The table below shows the results of the last three private stock surveys released by CONAB.

Brazilian Private Coffee Carry-Over Stocks (60-kg Bags)						
	Mar 31, 2008 - 2007 crop		**Mar 31, 2009 - 2008 crop**		**Mar 31, 2010 - 2009 crop**	
	Arabica	**Conillon**	**Arabica**	**Conillon**	**Arabica**	**Conillon**
Industry	786,950	264,533	796,509	276,387	739,812	172,121
Roasters					721,712	138,250
Soluble					18,100	33,871
Exporters	3,169,605	318,125	3,271,167	134,435	1,931,899	194,619
Cooperatives	4,087,053	104,445	5,671,240	72,884	3,042,082	154,843
Others	3,446,254	326,067	4,265,863	167,913	2,531,543	177,069
Total	11,489,862	1,013,170	14,004,779	651,619	8,245,336	698,652
Grand Total	12,503,032		14,656,398		8,943,988	
Source: CONAB, Annual Carry Over Stock Surveys - Reference Month = March 31st.						

Policy

In March 2011, the National Monetary Council (CMN) approved a special credit line of R$ 300 million from the Coffee Defense Fund (Funcafe) to refinance outstanding loans owed by producers. Each eligible producer will be able to contract up to R$ 200,000 at an interest rate 6.75 percent per year.

On the other hand, the solid prices of the product since last year have led many coffee growers to pay their financing in advance. According to MAPA, from January 2010 to early March 2011, R$ 311 million was paid back to the Funcafe funds.

Production, Supply and Demand Data Statistics

Coffee, Green Brazil	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,395	2,395	2,409	2,409		2,410
Area Harvested	2,151	2,151	2,175	2,175		2,150
Bearing Trees	5,725	5,725	5,820	5,820		5,760
Non-Bearing Trees	873	873	815	815		835
Total Tree Population	6,598	6,598	6,635	6,635		6,595
Beginning Stocks	6,576	6,576	2,846	2,836		3,836
Arabica Production	33,000	33,000	41,800	41,800		34,700
Robusta Production	11,800	11,800	12,700	12,700		14,500
Other Production	0	0	0	0		0
Total Production	44,800	44,800	54,500	54,500		49,200
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	51,376	51,376	57,346	57,336		53,036
Bean Exports	26,580	26,580	28,600	30,630		24,930
Rst-Grnd Exp.	80	80	100	70		70
Soluble Exports	3,120	3,120	3,300	3,300		3,000
Total Exports	29,780	29,780	32,000	34,000		28,000
Rst,Ground Dom. Consum	17,730	17,720	18,470	18,470		19,020
Soluble Dom. Cons.	1,020	1,040	1,030	1,030		1,080
Domestic Use	18,750	18,760	19,500	19,500		20,100
Ending Stocks	2,846	2,836	5,846	3,836		4,936
Total Distribution	51,376	51,376	57,346	57,336		53,036
1000 HA, MILLION TREES, 1000 60 KG BAGS						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	2005	2006	2007	2008	2009	2010	2011
January	2.62	2.22	2.12	1.76	2.32	1.87	1.67
February	2.60	2.14	2.12	1.68	2.38	1.81	1.66
March	2.67	2.17	2.05	1.75	2.25	1.78	1.62
April	2.53	2.09	2.03	1.69	2.18	1.73	1.57
May	2.40	2.30	1.93	1.63	1.97	1.82	1.61

June	2.35	2.16	1.93	1.64	1.95	1.80	
July	2.39	2.18	1.88	1.57	1.87	1.76	
August	2.36	2.14	1.96	1.63	1.88	1.76	
September	2.22	2.17	1.84	1.92	1.78	1.69	
October	2.25	2.14	1.74	2.12	1.74	1.70	
November 1/	2.21	2.17	1.78	2.33	1.75	1.71	
December	2.26	2.14	1.77	2.34	1.74	1.66	

Source : Gazeta Mercantil and BACEN (as of October 2006). May 2011 refers to May 06.